



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



FILE COPY

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March 13, 2012

Evelyn Rice-Peebles  
Commissioner of Recreation  
5600 Clayton Ave.  
St. Louis, MO 63110-1310

RE: Fixed Assets Review of the Recreation Division (Project #2011-53)

Dear Ms. Rice-Peebles:

Enclosed is the Internal Audit Section's Fixed Assets Review report of the Recreation Division as of November 2011. A description of the scope of our work is included in the report.

Fieldwork was completed on December 21, 2011. Management's responses to the observations and recommendations noted in the report were received on February 15, 2012 and have been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure

cc: Gary D. Bess, Director of Parks, Recreation and Forestry



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# CITY OF ST. LOUIS

**RECREATION DIVISION**

**DEPARTMENT OF PARKS, RECREATION AND FORESTRY**

**FIXED ASSETS REVIEW**

**AS OF NOVEMBER 2011**

**PROJECT #2011-53**

**DATE ISSUED: MARCH 13, 2012**

**Prepared by:  
The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
RECREATION DIVISION  
DEPARTMENT OF PARKS, RECREATION AND FORESTRY  
FIXED ASSETS REVIEW  
AS OF NOVEMBER 2011**

**EXECUTIVE SUMMARY**

**Purpose**

The Internal Audit Section (IAS) has completed a review of fixed assets for the Recreation Division (the Division) of the Department of Parks, Recreation, and Forestry. The purpose was to determine if the Division effectively and efficiently manages risks to ensure:

- Compliance with applicable policies and procedures.
- Safeguarding of assets.
- Reliability and integrity of Fixed Assets Property Listing (FAPL) reports.
- Economic and efficient use of resources.

The Fixed Assets Management System (FAMS) is the City of St. Louis' means of tracking fixed assets. These assets must have an initial purchase value of \$5,000 or more, be tangible in nature, and possess a useful life of more than one year.

Property control items are defined as items that do not meet the above criteria, but are assets that need to be tracked. These items usually have an initial purchase price of \$1,000 or more or may consist of computer equipment of significant value.

**Scope and Methodology**

The review was confined to evaluating the Division's internal controls over the operational and fiscal activities pertaining to FAMS. The review procedures included:

- Inquiries of management and staff.
- Reviews for compliance with policies and procedures.
- Limited tests of related controls.
- Other procedures considered necessary.

**Background**

The Recreation Division operates seven swimming pools and seven recreation centers in the City of St. Louis. The Division also runs summer day camp, helps students with homework in winter and sponsors sports for youths on a year-round basis.

**Exit Conference**

An exit conference was conducted at the Division on February 15, 2012. The Division was represented by the Commissioner of Recreation. The Internal Audit Section was represented by the Audit Supervisor and the Auditor-in-Charge.

## Conclusion

The opportunity exists for the Division to improve internal controls over fixed assets and property control items. The following is the observation resulting from the review:

- Opportunity to improve controls over fixed assets and property control items

This observation is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.



Dr. Kenneth M. Stone, CPA  
Internal Audit Executive



Date

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## **OBSERVATIONS**

### **Status of Prior Observations**

There was no recent review of the Division's fixed assets within the past five years. Therefore, there are no prior observations to be followed up on.

### **Summary of Current Observation**

An opportunity exists for the Division to improve internal controls over fixed assets and property control items. The following is the observation resulting from the review:

- Opportunity to improve controls over fixed assets and property control items

This observation is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

## **DETAILED OBSERVATION, RECOMMENDATIONS AND MANAGEMENT'S RESPONSE**

### **Opportunity To Improve Controls over Fixed Assets and Property Control Items**

For a period of about one year preceding this fixed assets review, the Recreation Division did not have a designated FAMS Coordinator in place to perform the required duties. As a result, the Recreation Division had not:

- completed a physical inventory of fixed assets and property control items, or
- regularly compared the physical inventory to the FAPL and submitted the necessary Transaction Activity Forms during that one year period.

Section 110.30 of the City's Fixed Asset Management System (FAMS) Policy and Procedures Manual requires physical and accounting controls to safeguard capitalized and non-capitalized assets at the budgetary level of the organizational unit. It further requires that each unit designates one or more employees as FAMS Coordinator(s) to monitor the custodial/stewardship responsibility function.

Section 210.08 of the FAMS Manual lists the specific activities responsibilities for which FAMS Coordinators are responsible. Included among those duties are the following:

- a. Conducting annual inventories of fixed assets and property control items in accordance with procedures specified in Section 210.12 of the FAMS Manual.
- b. Comparing the physical inventory to the asset quantities and descriptions on the Fixed Assets Property Listing (FAPL) provided at least quarterly by the FAMS Section of the Comptroller's Office.
- c. Preparing and submitting appropriate Asset Transaction Activity Forms to report all fixed asset exchanges, donations, retirements, transfers, and adjustments, to the FAMS Section.

The following discrepancies were noted based on inquiries made during attempts to locate nine (9) fixed assets listed on the FAPL:

1. A 2008 Ford pickup truck (book value of \$4,777.70) had been wrecked and should have been declared surplus to be removed from the FAMS.
2. A boxing ring and bout timer (fully depreciated - no book value) was reported to have been sold - possibly in a prior year; however, no documentation for that transaction was available for review.
3. A sign machine and cutter (book value of \$1,004.31) had been transferred to the Parks Division. No transfer form was available for review.

The lack of controls over the fixed assets and property control items increases the risk that they may be misused, lost or stolen. In addition, failure to submit appropriate Asset Transaction Activity Forms to report retirements, transfers, etc. may result in over or understatement of the value of fixed assets under the control of the Division.

## **Recommendations**

It is recommended that the Recreation Division:

- a. Designate a full-service FAMS Coordinator.
- b. Ensure that the FAMS Coordinator regularly performs the duties of the custodial/stewardship responsibility function required by Section 210.08 of the FAMS policy and Procedures Manual. Those duties would include, but not be limited to:
  - (1) Reviewing and confirming that all valid fixed asset transactions are recorded on a timely basis at proper values and are properly classified.
  - (2) At least quarterly, conducting a periodic comparison of physical inventory to the quantities of fixed assets and property control items indicated on the FAPL.
  - (3) Verifying inter- and infra-organizational (i.e., within or between departments) transfers and reporting them to the FAMS Section of the Comptroller's Office.

## **Management's Response**

*Management appreciates the information learned during this fixed asset review process. There have been many, many changes in management and responsibility over the last seven years. The changes have been recurring. This has resulted in some areas of responsibility not being reassigned. This is one of those areas. I agree with the findings and am grateful for this opportunity to improve our system of inventory, so that we can be clear and current in all our listings. This is indeed a good opportunity to improve the Recreation Division controls over fixed assets and property control items.*

*In the instance of the pickup truck, a worker had an accident in it while on the job, where in it was completely wrecked. I reported this to Comptrollers Office, Municipal Garage, Police Garage, Equipment Services and the Supply Commissioner.*

*In the instance of the "sold" boxing ring, the check was made out to The City of St. Louis and the complete sale was recorded properly.*

*Management agrees having a FAMS Coordinator can assure that the FAMS Coordinator also gets a copy of all reports. I have designated one staff person with this responsibility.*



**Auditor's Comment**

The Recreation Commissioner provided the Internal Audit Section with copies of supporting documents for the two transactions referenced in the Management's Response. The Commissioner also indicated the designated FAMS Coordinator would follow up on submitting the applicable Transaction Activity Forms updating the FAMS system to properly reflect each of the three occurrences that resulted in the noted discrepancies.